

A joint meeting of the Finance Committee and Board of Selectman convened at 5:00PM on November 14. Present were Finance Committee members Steve Klein, Barbara Marchione, Robert Miller, Doug Newman, Michele Shalaby, Sandra Fusco-Walker and Selectmen Nat Yohalem, Tara White and Richard Long. Town Administrator Mari Enoch and Administrative Secretary Sharon Fleck were also present along with Tom Scanlon of Scanlon & Associates.

#### **TIMELINE FOR TOWN AUDIT/STATUS OF 2019-2020 FINANCIALS**

The Committees welcomed Tom Scanlon, CPA of Scanlon & Associates.

Mr. Scanlon gave some background on the last town audit done in 2013. He explained that procedures were recommended at that audit and in 2016 his company did a review which gave a clean bill of health to the Tax Collector side but still found some concerns with the cash reconciliation side and some items were carried over.

Mr. Scanlon indicated that there have been many changes that have raised the costs of an audit to approximately \$16,000.00 - \$17,000.00 and if the Town was not looking to borrow money, which would require a formal audit, the Town could do an 'agreed upon procedures' process whereby his company would review the most important assets in the town (accounts receivable, taxes, motor vehicle excise tax and cash). These areas would be reviewed in the same manner as an audit and an informal letter would be issued stating the results with recommendations, if any, for the Town to put in place. The Town could also extend this process to expense budgets too, if they felt that was necessary. The estimated cost for the agreed upon procedures process would be approximately \$3000.00 - \$4000.00 dollars and Mr. Scanlon recommended it be done in the spring of 2020.

Selectman Richard Long asked the difference between the agreed upon procedures and a full audit. Mr. Scanlon replied that in a full audit, they would look at all the controls, all the account balances, town meeting votes, expenditures and the warrant process. Mr. Long then asked what other municipalities are doing and Mr. Scanlon responded the only ones doing a full audit are doing so because it is required for the funding they are seeking. He continued most towns are using the agreed upon procedures process which is sufficient if you are not going into the bond market.

Mr. Klein then asked for a status on the free cash certification. Selectman White stated free cash cannot be certified until the books are closed and she could not predict a date when that might be. She continued that there has been a reconciliation issue and things are being looked at but before anything can be adjusted, records from over the past year need to be pulled to be sure they haven't already been adjusted before closing the books. Mr. Klein then asked Ms. White if it was her judgement the Town would benefit from consulting services to help close out the books and get the free cash certified and she stated yes it would be helpful.

Mr. Scanlon offered they could come in as consultants and help review the books to close them out and get the free cash certified and then come back in the spring to do the agreed upon procedures review.

Questions arose as to the need for a complete audit with the conclusion that if any red flags showed up in the review in the spring, a full audit could then be done though Mr. Scanlon would be excluded from doing an audit on the same year he is acting as a consultant to avoid a conflict of interest per accounting regulations.

Mr. Scanlon stated the estimated cost of consulting and certifying free cash would be about \$3000.00 and in addition to the estimated cost of \$3,000.00 - \$4,000.00 for the work in the spring, it would come well under the \$16,000.00 cost for a full audit and provide the Town the information for which it is looking.

Ms. Shalaby, who used to be a Selectman, stated they were given recommendations as a result of the 2013 audit and the Town hasn't nearly made the headway on those recommendations we wanted to make. She asked where does the Town get the guidance on how to follow through with the recommendations and turn this into something more sustainable. Mr. Scanlon said that ongoing consulting is the solution. He stated they worked with the Town from 2013 through 2016 to get the Tax Collector to where it should be and though it took three years to do it, these procedures are in place and working. Ms. Shalaby continued that another issue is some work needs to shift to other people and they need help to do that. Mr. Scanlon stated that is the purview of the Board of Selectman. Last, Ms. Shalaby asked if there were any lessons to be learned from other towns who have run into problems. Mr. Scanlon stated oversight is an important role and it doesn't mean your giving an employee a hard time when asking to look at the ledgers/records to see what the receivables are, etc. It is oversight that keeps everyone informed and prevents problems while protecting the Town and its employees.

Mr. Klein made a motion to recommend to the Board of Selectman they hire Scanlon & Associates as consultants to come in immediately to help certify free cash and then in the spring, to come in and perform an agreed upon procedures process with both items not to exceed the amount of \$7,000.00. The Finance Committee approved the motion unanimously.

The Board of Selectman then discussed the need for a written proposal in order to move forward and Mr. Yohalem made a motion to adopt the Finance Committee's recommendation subject to the receipt of a written proposal from Mr. Scanlon consistent with the terms of the motion which was approved unanimously. The Board directed the proposal be placed on the agenda when received.

#### **DISCUSS 2021 BUDGET PROCESS/CALENDAR**

Mr. Klein then presented the draft calendar for the 2021 budget process which included fixed dates by which certain items must be completed, by law, and recommended dates for meetings and submission deadlines.

Mr. Klein stated last year's budget process was modified by having department heads build their budget requests directly on an Excel program on the computer avoiding the problem of numbers being transposed when copied from paper. This process also provides the Committee quick access to each departments' details and the ability to easily make changes as needed which are tallied immediately in the budget totals. In addition to actual money spent by each department in the previous two years which is listed on the Excel form, there will now be a line added for the actual amount budgeted for those same years. This will help the Committee plan more accurately by viewing the budgeted amount and actual amount spent over a three year period.

Mr. Klein continued he would like each committee member to sit down with one of the departments in town to offer assistance to work with them to get their budgets completed by February 14, 2020. Mr. Klein asked Members to think about the different departments and email him if someone had experience with or interest in working with a particular department or he can assign people.

Mr. Klein also stated we would like to have a joint meeting with the Selectman to discuss the Town's capacity analysis but that cannot be done until the books are closed so he is looking towards that joint meeting in January.

Mr. Klein then brought up the issue of compensation. In the past, the Finance Committee would hold out any discussion on employee compensation until the Board of Selectman determined any cost of living at the end of the budget process. Mr. Klein wishes to modify the exercise and, based on the tax capacity analysis, he recommended the Finance Committee request the Selectmen determine any compensation increase at the beginning of the budget process.

The Committee agreed department heads in consultation with their employees should record any meetings regarding compensation or other issues to be submitted but managers should not submit requests for their own salaries as those are determined by the Selectman.

### **CAPITAL PLAN**

Moving on to the capital budget, Mr. Klein advised the subcommittee is a member of the Finance Committee, a Selectman and the Town Administrator and they are meeting during the budget process.

One item the Finance Committee wished to pursue this year was a discussion regarding the Stabilization Fund and the Free Cash Fund. Policies determining the use of these funds needs to be clarified and the Committee agreed to meet and discuss before the end of the year.

Mr. Klein who is on the Broadband Committee reminded everyone there will be a new expense in the 2021 budget for the state loan for the Town's broadband. This expense of approximately \$45,000.00 will be deducted from the Town's annual Cherry Sheet figure the state makes to each town. Mr. Klein continued that the make ready work is more than 50% finished in Town

and after the poles are done, Verizon will have to come and move the phone lines to the new poles as well as the middle mile provider, Axion, who will move their wires to the new poles. He stated work should all be done by February 2020 at which time the clock starts ticking for the one year contracted completion date of February of 2021. Homes will be lit as broadband is installed.

Mr. Yohalem reminded everyone that if the solar fields are up and running in 2021, the revenue generated by the solar fields should help offset the cost of paying off the loan to the state.

The last item of the evening brought up by Mr. Klein was that he had put a significant addition on his house in 2015 and the addition showed up in his tax bill this year, four years after the addition was added. Mr. Klein stated he had building permits and received a certificate of occupancy. He is concerned that others in Town are subsidizing taxes he should have been billed for over the past few years. He would like to add this issue to the next meeting to discuss how building improvements go from the building inspector to the assessor to the appraiser and ultimately end up on the tax rolls. Based on the discussion, the Committee might suggest some modifications or improvements such as the Board of Selectman receive copies of any Certificate of Occupancy so the Assessor's office isn't the only place where these documents rest. He stated everyone should receive a new assessment and tax bill within 12 months of the completion of the work.

Ms. Marchione said, in the past, there was an issue where new construction had not been assessed and taxed for several years. Mr. Yohalem added that the Selectman had found departments weren't communicating. The Selectman then instituted a process whereby when a permit was issued by the Building Inspector, a copy is submitted to the Assessors' office and when a Certificate of Occupancy is issued, a copy is also submitted to the Assessor's office. Mr. Yohalem continued the Board thought that would work, but it obviously hasn't. It was agreed to add the issue to the next agenda.

The Finance Committee then approved the minutes of September 5, 2019, scheduled its next meeting for December 12 and adjourned the meeting at 7:31pm.

